TACOM

Lethality, Survivability, Mobility and Sustainment for America's Army

REVERSE AUCTION WORKSHOP

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- **BACKGROUND/ RESULTS**
- **BASIC MECHANICS**
- **STRUCTURING AUCTIONS**
- **AUCTION REQUEST**

BACKGROUND INFO ON REVERSE AUCTIONS

WHY DO AN AUCTION PILOT?

- FAR CHANGE IN 1998
- GROWTH OF BUSINESS INTERNET
- BIRTH OF ON-LINE AUCTION HOUSES
- DR. OSCAR REQUESTED PILOT
  - TACOM, CECOM, SPACE & MISSILE COMMAND

WHAT'S A REVERSE AUCTION?

- AN AUCTION CONDUCTED FOR BUYER
  - SELLERS COMPETE BY PROGRESSIVELY LOWERING PRICES
- AN ON-LINE REVERSE AUCTION TAKES PLACE AT A WEB SITE
- TACOM IS USING THE ARMY SINGLE FACE TO INDUSTRY (ASFI) WEB SITE

EXPECTED BENEFITS

- **LOWER PRICES**
- **REDUCED CYCLE TIME**

- **MAY AFFECT QUALITY/DELIVERY**
  - TOO LITTLE EXPERIENCE TO KNOW

RESULTS

- **EXHAUST CAP**
  - **ONE BID, $110. LAST PRICE:$110**
- **BRAKE SHOES**
  - **TWO BIDDERS, $700. LAST PRICE:$749.50**
- **SUPPLEMENTAL ARMOR**
  - **THREE BIDDERS, $442. LAST PRICE: $462**
- **IMPACT WRENCH**
  - **ONE BID, $1410. (OEM) FIRST TIME BUY.**

GUIDANCE ON THE ERC

- HOW TO CONDUCT AN AUCTION
- GOOD CANDIDATES
- COORDINATING W/ SMALL BUSINESS
- TIPS

CANDIDATE ITEMS

- **GOOD CANDIDATES**
  - **FIXED PRICE**
  - **METAL PARTS**
  - **RUBBER PRODUCTS**
  - **TOOLS**
  - **COMMERCIAL ITEMS**
  - **SIMPLER KITS**
- **AVOID**
  - **R&D**
  - **MAJOR ITEMS**
  - **COST REIMBURSABLE CONTRACTS**

BASIC MECHANICS

MECHANICS

- BUYER RELEASES SOLICITATION
- BUYER REGISTERS AUCTION
- BIDDERS REGISTER FOR INDIVIDUAL AUCTION
- BIDDERS SIGN ON AND BID
- CAPTURE RESULTS
- EVALUATE OFFERS

MECHANICS

- BUYER PREPARES AND RELEASES SOLICITATION USING NORMAL PROCESSES
- AUCTION NOTICE IN SECTIONS B & L
  - PADDS CLAUSE IN PROCESS
  - CONTACT MR. WATKINS FOR COPIES
- RECEIVE NON-PRICE OFFERS USING NORMAL PROCESSES

MECHANICS

- WE'LL LOOK AT THE WEB SITE AND AUCTION REQUEST PAGE LATER
- EVERYTHING ON THE SITE, EXCEPT THE AUCTION REQUEST AND BIDDING MODULE ARE PUBLIC
- ANYONE CAN LOOK AT AUCTIONS

MECHANICS

- BIDDERS REGISTER FOR INDIVIDUAL AUCTION
- ASSIGNED UNIQUE ALIAS AND PASSWORD FOR THAT AUCTION
  - AUTOMATED SYSTEM WILL ASSIGN
- BIDDER SIGNS ON TO BID
- SYSTEM MASKS BIDDER IDENTITY WITH ALIAS

MECHANICS

- SHOWS BID HISTORY IN REAL TIME
- SHOWS CURRENT MAXIMUM PRICE
  - LAST BID MINUS BID INCREMENT
- CAPTURE RESULTS OF AUCTION
  - CURRENTLY BUYER DOES SCREEN PRINT
  - PRODUCTION VERSION WILL PRODUCE RECORD AUTOMATICALLY

STRUCTURING AN AUCTION

STRUCTURING AUCTIONS

- **BUYER MUST EXERCISE JUDGMENT**
- **THREE BASIC ELEMENTS**
  - **AUCTION TECHNIQUE**
  - **MAXIMUM ACCEPTABLE PRICE**
  - **BID INCREMENTS**
- **SCREENING BIDDERS**

TECHNIQUES

- **“LIVE” AUCTION**
- **BID-BOARD AUCTION**
- **BUYER SETS LENGTH OF AUCTION**

TECHNIQUES

- "LIVE" AUCTION
  - SHORT BIDDING PERIOD, 30 MIN OR LESS
  - USUALLY HAS OVERTIME
    - EXTENDED 5 MIN IF NEW LOW BID IN LAST 5 MIN
  - BIDDERS MUST ALL BE ON LINE
  - HIGH PRESSURE SITUATION
    - MORE INTENSE COMPETITION, BUT
    - MORE POSSIBILITY OF MISTAKES
  - EXPERIENCE: BIDDERS FORGET

TECHNIQUES

- **BID-BOARD AUCTION**
  - **LONG BIDDING PERIOD, 1-5 DAYS**
  - **NO OVERTIME**
  - **BIDDERS VISIT SITE AT THEIR CONVENIENCE**
  - **LESS PRESSURE, FEWER MISTAKES**
  - **ATTEMPTED LAST MINUTES BIDS MAY NOT GET THROUGH**
  - **RECOMMENDED BY CONTRACTORS**

MAXIMUM ACCEPTABLE PRICE

- BUYER SETS MAX PRICE
- SETTING PRICE HIGHER GETS MORE BIDS
  - THROW AWAY BIDS
  - LESS RESPONSIBLE OFFERORS
- SETTING PRICE LOWER GETS FEWER BIDS
  - RISK OF NO BIDS OR NO COMPETITION

MAXIMUM ACCEPTABLE PRICE

- LOOK AT PRICE HISTORY
- LOTS OF RECENT COMPETITION
  - SET PRICE CLOSE TO HISTORY
  - RULE OF THUMB: 5% HIGHER THAN LAST BUY
- LITTLE RECENT HISTORY
  - ADD INFLATION AND QUANTITY FACTORS TO LAST PRICE
  - ADD 5-10% ON TOP OF THAT

MAXIMUM ACCEPTABLE PRICE

- HELPS SHAPE MARKETPLACE
- TIGHT PRICE ATTRACTS ONLY SERIOUS BIDDERS
- LETS BIDDERS KNOW WHERE THEY STAND
  - COMPANIES WHO CAN'T COMPETE DON'T WASTE THEIR TIME

BID INCREMENTS

- AMOUNT OF NEXT LOWER BID
- EXAMPLE
  - OPENING PRICE $10.00
  - BID INCREMENT .50
  - NEW MAX PRICE $9.50
- TOO HIGH, NO BIDS
- TOO LOW, WASTES TIME

BID INCREMENTS

- **BID INCREMENTS REGULATE THE COMPETITION**
- **EXAMINE PREVIOUS HISTORY**
  - **TIGHTLY BUNCHED PRICES, SET BID INCREMENTS LOW**
  - **LOOSELY BUNCHED PRICES, SET BID INCREMENTS HIGHER**
- **RULE OF THUMB, 0.5% - 2.0% OF MAX PRICE**

SCREENING BIDDERS

- CURRENT SYSTEM BUYER HANDS OUT USERID/PASSWORDS
- AUTOMATED SYSTEM WILL ASSIGN USERID/ALIASES/PASSWORDS
- NON-PRICE TERMS BEFORE AUCTION
- BUYERS KNOW WHO WILL BID AND CAN PRESCREEN THEM FOR RESPONSIBILITY, SET-ASIDE CRITERIA

AUCTION REQUEST PAGE

WEB SITE STATUS

- CECOM DEVELOPED PILOT ASFI SITE
- CURRENTLY IN USE
- ARMY/AIR FORCE FUNDED FURTHER DEVELOPMENT
- FULL PRODUCTION SITE 2Q 01
- DEMO SITE FEB 01
  - PRACTICE AUCTIONS
  - TEST AREA

ACCESS

- **PUBLIC SITES: http://**
  - **acquisition.army.mil**
  - **pilot.frictionless.com**

- **NOW WE'LL LOOK AT THE SITE**

QUESTIONS?